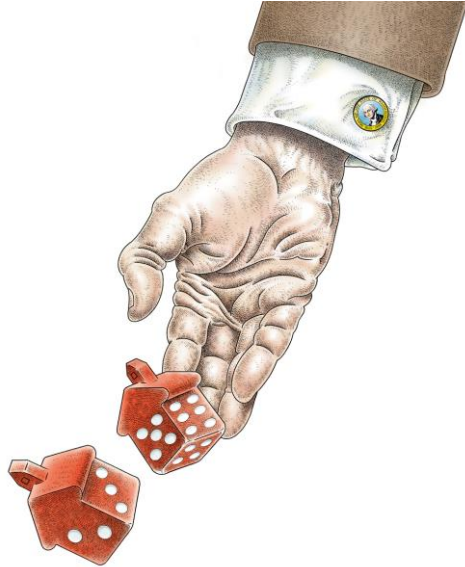


# McCleary: Where is the grand bargain?

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A capital-gains tax on high earners or other revenue sources are needed to adequately fund public schools.

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Special to The Times

MCCLEARY'S multi-billion-dollar education-funding challenge continues to loom over our state's legal and political landscape like thick clouds hovering over the Space Needle.

Education funding has increased since the McCleary ruling was handed down by the state Supreme Court three years ago. Any fair reading of the last two budgets would have to acknowledge the additional funding for all-day kindergarten, class-size reduction for grades K-3, hundreds of millions more to the districts for operating costs and, finally, the renewal of educator cost-of-living adjustments.

But, at the same time, it cannot be said that the Legislature enacted anything close to the grand bargain that would meet both prongs of the McCleary directive: ample state funding for the basic education program and less reliance on local levies for state funding obligations.

In reality, the opposite of a grand bargain has occurred. It has been business as usual. Growing education budgets have been supported exclusively by the growing economy and a smattering of minor tax-loophole closures. At the same time, the Legislature

continues to cut certain taxes and to let other revenue sources expire despite the McCleary mandate. Most notably, a B & O surcharge that was in place and generating nearly \$600 million every two years was let go in 2013. That fee could easily have been retained or modified to generate revenue for education. The 2015 sessions were more of the same.

A bipartisan proposal on local-levy reform did emerge. It would cost approximately \$3.5 billion. Republicans appear to favor the state assuming more local education property taxes. This approach — the straight levy swap — reduces property taxes in some areas, but could result in significant property tax hikes in the Puget Sound region and a diversion of those dollars to other areas, despite the fact that the region's voters have repeatedly agreed to tax themselves locally to pay for their own local education needs. This approach has significant political hurdles. Plus, it doesn't generate \$3.5 billion.

However, if a property-tax adjustment were combined with an additional revenue source and an assignment of some portion of projected future budget growth to education, the effect could lead to a net property-tax reduction in as many as 250 of the 295 school districts, while providing the uniform state and local funding system the Supreme Court has called for.

There are three basic components to this grand bargain. All sides would get something they believe is necessary to meet McCleary. And all sides would have to accept a position of the other side. The Democrats' proposal for a new dedicated funding source would be met — perhaps with a capital-gains tax on high earners with generous exemptions to protect the middle class. The Republicans' call to "fund education first" would be met through statutory prioritization of some portion of new revenue growth for education.

To be sure, there are numerous other statutory and constitutional protections that would have to be enacted to give all sides confidence that the funding system would be fair and not diverted to other purposes. But combining these elements with the right mix of state and local levy adjustments could allow for a more uniform system of funding that would result in less reliance on local levies and an overall increase in funding for school districts, including a more generous educator and staff compensation program.

The upcoming court decision on McCleary may lead to a tipping point that would finally force the true compromises needed to reach such a grand bargain.

Information in this article, originally published July 25, 2015, was corrected July 25, 2015. A previous version incorrectly stated the author's title.

State Sen. David Frockt, D-Seattle, serves on the legislative committee reporting to the Supreme Court on McCleary and represents the 46th District. He previously served on the Joint Task Force on Education Funding.